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OPERATING LOANS for—

Better Farming—

—Better Living

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Farmers Home Administration

PA-144

Operating Loans

Operating Loans are made by the Farmers Home Administration to help eligible operators of family-type farms get ahead through **Better Farming.**

These loans are based on farm and home plans developed with each individual family to provide for the best use of land, labor, livestock, and equipment. To help borrowers carry out their plans and increase their earnings, the Supervisor makes farm visits, as necessary, to advise and assist them in making planned adjustments in their farming operations and in adopting improved farm and home practices.

This program assists small farmers who are unable to obtain credit needed to carry on successful farming operations from local banks, production credit associations, or other sources.

Applications from eligible veterans are given preference in the making of farm operating loans. Both veterans and non-veterans must meet the same qualifications and requirements.

The following are answers to questions often asked about farm operating loans:

1. Am I eligible for a loan?

You are eligible for an operating loan:

(a) If you are a citizen of the United States.

(b) If you have had satisfactory farm experience or training.

(c) If you cannot obtain needed credit from any other established source in your community at reasonable rates and terms.

(d) If the major portion of your income will be derived from farming and the major portion of your time will be spent in carrying on your farming operations.

(e) If you own or can rent on reasonable terms a farm suitable for the type of farming you intend to carry on.

2. Who decides whether I am eligible?

The County Committee of the Farmers Home Administration must certify in writing that you are eligible for a loan. This Committee consists of three local persons, at least two of whom are farmers, who know farming conditions in their county and know what it takes for a farmer to succeed. The Committee may visit your farm and ask you and your wife to meet with them to discuss your farm background, experience, and needs.

3. What is a "family-type farm"?

A "family-type farm" is one that will provide full productive year-round employment for you and your family without using outside labor except during brief periods at planting or harvesting time. The farm should be large enough and productive enough to enable you to earn a good living, pay all necessary farm and home operating expenses, pay for and maintain necessary livestock and farm and home equipment, and to pay your debts.

4. If I am eligible, what is the next step?

If the County Committee determines that you are eligible, the Supervisor will help you work out a farm and home plan to make the best use of land, labor, livestock, and equipment. Before a loan is made it must be clear that you will have enough income from the planned operations to meet your farm operating and

family living expenses and to repay the loan and other debts. You will be expected to follow the farm and home plan developed with the help of the Supervisor.

5. What is a farm and home plan?

It is the steps and methods that you and your family will follow in operating your farm successfully. It is a plan of the crops you intend to grow, the livestock you expect to have for home use and for sale, how you expect to care for your land and crops and livestock, how much you intend to spend for equipment, how much you intend to spend for running the farm and home, the income you expect and how it will be used. This plan will be written down for your guidance in carrying out your farm and home operations.

6. For what purposes may I use loan funds?

Loan funds may be used to enable you and your family to carry out the planned farm and home operations. When necessary you may use loan funds to purchase farm and home equipment, livestock, feed, seed, lime, and fertilizer; to pay family living expenses, including medical care; and to pay other necessary farm and home operating expenses. Loan funds may also be used to enable you to join with two or more other farmers to buy or obtain the use of such items as high-grade sires or heavy equipment which you could not afford to own for individual use.

7. How much can I borrow?

The amount of your loan will depend upon your needs as determined by your plan of operation. However, the most that you can borrow in any one year is $3,500 and your total outstanding debt for operating loans cannot exceed $5,000.

8. What interest will I pay?

The interest is 5 percent per year on the unpaid balance.

9. When will I be expected to repay the loan?

That depends on the amount of income expected each year, and the purposes for which the money is advanced. Funds advanced for current operating expenses such as seed, fertilizer, spray material, tractor fuel, feed, and farm supplies will be repaid when income is received from the sale of the crops, livestock, or livestock products that are produced with the help of the loan. In other words, loan funds advanced to meet operating expenses during a crop year generally will be repaid when that year's income is received.

On the other hand, loan funds advanced for such things as the purchase of dairy cows and other breeding animals, as well as farm equipment, and to carry out basic soil building and conservation practices will be repaid as rapidly as possible. This repayment schedule is based on the income to be received each year after reasonable expenses are met. In no case may the loan run for more than 5 years.

10. What security must I give?

Loans are made with the expectation that they will be repaid out of income to be received from future farming operations, rather than on the basis of how much security you can give. For that reason, a definite agreement must be made as to how future income will be used. To give effect to these agreements, security will consist of (a) a first mortgage on all crops to be produced as well as on the livestock and equipment purchased

with loan funds, (b) a mortgage on other chattel property that you own, and (c) depending on the circumstances in your case, other written agreements will be made—for example, if you are a dairy farmer an assignment may be taken on a part of your dairy income.

11. Must I have a lease if I am not an owner?

Yes. The Farmers Home Administration will not make you a loan unless you have the use of a farm of sufficient size and productivity, for a long enough period, to permit you to carry out a successful farming program. It is highly desirable to obtain a long-term written lease which is fair to both you and the landlord.

12. What if I am already in debt?

The mere fact that you owe some debts will not necessarily keep you from getting a loan. However, in order to help you, it is very important for the Farmers Home Administration to know the extent of your obligations and the arrangements you have made for their repayment. If necessary, the Supervisor and the Committee will help you arrange with your creditors for a time extension or an adjustment of your debts.

13. What records must I keep?

You will need records of income and expenses to show the results of the year's operations and to determine the changes needed in the future to further improve your farming operations. You will be expected, therefore, to keep a record of income and expenses. A record book for this purpose will be furnished by the Supervisor and, if necessary, he will show you how to keep and use your records.

14. What other types of loans are made by the Farmers Home Administration?

In addition to operating loans, the Farmers Home Administration makes the following types of loans to eligible applicants:

(a) Direct and insured farm ownership loans are made for the purchase, enlargement or development of family-type farms;

(b) Farm housing loans are made to owners to help them build, alter or repair farm homes and other farm buildings;

(c) Water-facilities loans are made in the 17 Western States for the installation, repair, or improvement of farmstead facilities or irrigation systems.

15. Will it cost me anything to apply for a loan?

No.

16. How do I apply for a loan?

Go to the Farmers Home Administration office for your county. If you do not know the address, the County Agricultural Agent can direct you. The Supervisor, or a member of his staff, will advise you in filling out an application.

This publication supersedes PA–33, of which it is a revision.

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